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Two CVS executives are accused of paying State Senator John Celona to advance the drug company's legislative agenda

A federal grand jury has charged **John R. Kramer** and **Carlos Ortiz**, government affairs executives with the CVS pharmaceutical company, with fraud and bribery. The grand jury alleges that the two executives paid State Senator John Celona to advance CVS's political agenda.

United States Attorney Robert Clark Corrente, Sharon Ormsby, Acting Special Agent in Charge of the Federal Bureau of Investigation, and Colonel Steven M. Pare, Superintendent of the Rhode Island State Police, jointly announced a 23-count indictment, which the grand jury returned today in U.S. District Court, Providence.

The indictment alleges that Kramer and Ortiz engineered a consulting agreement in which CVS paid Celona \$1,000 a month, ostensibly to improve CVS's image among consumers. However, the indictment alleges, Celona's actual job was to thwart legislation deemed harmful to CVS, and to advance matters deemed favorable. The indictment alleges that Kramer and Ortiz concealed the true nature of Celona's relationship with CVS from other CVS executives and lobbyists, and from the public.

Pharmacy Freedom of Choice

While being paid by CVS, the indictment alleges, Celona used his position as a member of the Senate Corporations Committee, and later as its chairman, to block passage of legislation

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known as Pharmacy Freedom of Choice. The legislation was designed to allow any willing pharmacy to participate in a health care insurance reimbursement network. CVS was a member of what was then a restricted network with a particular health care insurer, and defeating the Freedom of Choice legislation was a primary company objective.

Before Kramer and Ortiz allegedly arranged the CVS payments to him, Celona had cosponsored Freedom of Choice bills, and had voted for the legislation at least three times. After becoming a CVS consultant, however, Celona withdrew his support and worked to block the legislation, according to the indictment.

In 1999, after a Freedom of Choice bill was defeated in the Senate – with Celona voting for it – Kramer and Celona began talking about a possible job for Celona with CVS. In January 2000, Kramer and Ortiz offered Celona a job as a consultant, ostensibly for a “marketing issue.” However, the indictment alleges, their objective was to use Celona to advance the company’s legislative goals.

The indictment alleges that, in March 2000, a month after becoming a CVS consultant, Celona walked out of a committee meeting to avoid voting on a Pharmacy Freedom of Choice bill. The indictment also alleges that, in February 2001, after he’d become chairman of the Corporations Committee, Celona intentionally withheld a Freedom of Choice bill from consideration by the committee. The indictment alleges that Celona did so again in the 2003 legislative session.

Electronic Filing of Prescriptions, Canadian Pharmacies

The indictment alleges that, at the bidding of Kramer and Ortiz, Celona also worked to advance legislation allowing the electronic filing of prescriptions, and to thwart legislation that would have allowed the licensing of Canadian pharmacies to do business in Rhode Island. In

2001, Celona sponsored a bill, allegedly at the request of Ortiz, that would have required pharmaceutical manufacturers to accept returns from pharmacies.

Student Loan Authority

On another front, according to the indictment, Celona used his position as a member of the board of the Rhode Island Student Loan Authority to persuade the authority to establish a loan program for pharmacy students. Ortiz allegedly had asked Celona to help establish the loan program to address a shortage of pharmacists in Rhode Island.

Golf outings

CVS allegedly paid Celona \$1,000 a month between February 2000 and September 2003. The indictment alleges that, in addition to the monthly payments, Kramer and Ortiz arranged other benefits for Celona, all financed by CVS, that included tickets to golf outings and professional sporting events, and travel to Florida and California.

According to the indictment, Kramer told Celona at a golf outing in August 2003 that CVS could no longer pay him because of “increased public scrutiny.” The payments ceased the following month, but the indictment alleges that Kramer took Celona on an all-expense-paid trip in October of that year to a celebrity golf tournament in San Diego.

The indictment charges Kramer and Ortiz with conspiracy to deprive the citizens of Rhode Island of their right to Celona’s honest services and with 21 counts of using the mails to do so. It also charges them with bribery.

An indictment is merely an allegation and a defendant is presumed innocent unless and until proven guilty. Upon conviction, conspiracy carries a maximum penalty of five years in

federal prison and a \$250,000 fine. The maximum penalty for bribery is ten years in prison and a \$250,000 fine. The maximum penalty for mail fraud is 20 years in prison and a \$250,00 fine, except for six counts allegedly committed before July 2002, which have a maximum of five years in prison plus the fine.

A summons will be issued for the defendants to appear in U.S. District Court for arraignment. That arraignment has not been scheduled.

In August 2005, Celona pleaded guilty to federal mail fraud charges, admitting that he accepted payments from corporations to do their political bidding while he served as a state senator. He has cooperated with the government in an investigation into corrupt political influence in the Rhode Island General Assembly. Celona is scheduled to be sentenced on January 31.

The Federal Bureau of Investigation and the Rhode Island State Police conducted the investigation that resulted in the indictment of Kramer and Ortiz. Assistant U.S. Attorneys Gerard B. Sullivan and Dulce Donovan are prosecuting the case.

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